



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON, D.C. 20460

JUL 15 1987

COMPTROLLER POLICY ANNOUNCEMENT
No. 87-15

OFFICE OF
ADMINISTRATION
AND RESOURCES
MANAGEMENT

MEMORANDUM

SUBJECT: New Method for Determination of Indirect Costs in
Superfund Removal Project Ceilings

FROM: *J. Richard Bashaw*
David P. Ryan
Comptroller

TO: Assistant Regional Administrators
Management Division Directors
Senior Budget Officers
Regional Comptrollers
Waste Management Division Directors
Environmental Services Division Directors
Regions I, VI and VII
Director, Office of Emergency and
Remedial Response
Director, Office of Waste Programs
Enforcement
Financial Management Officers

This memorandum announces Agency policy regarding determination of indirect costs in Superfund removal project ceilings.

BACKGROUND

Except in emergency situations, the On-Scene Coordinator (OSC) must prepare a Removal Action Memorandum before initiating removal cleanup action. This memorandum must be signed by the Regional Administrator (RA) or his/her designee. In the event of an emergency action of \$50,000 or less, the OSC, when delegated the authority, may initiate the removal first, and then may prepare an Action Memorandum to be signed by the RA or his/her designee to document that the removal has been approved.

The estimated project cost of the removal must be included in the Removal Action Memorandum and this estimate becomes the project ceiling. Under the Superfund Amendments and Reauthorization Act (SARA), this project ceiling cannot exceed \$2 million or have a duration of more than 12 months unless an exemption is granted. Prior to SARA, the statutory limits were \$1 million and six months, respectively. With the exception of certain legal and site

investigatory costs, which are covered under Section 104(b) of CERCLA, the estimated project ceiling covers all direct and indirect costs of work to be performed for the removal project. Indirect costs are those costs necessary to operate the program, but which cannot be attributed directly to specific sites. Examples include program management, indirect salaries and fringe benefits, administrative support, rent and utilities.

In March 1986, the Office of the Comptroller distributed the Superfund Indirect Cost Manual, which provided instructions for calculating the amount of indirect costs to be claimed in cost recovery actions. It also established provisional rates (dollars per hour of Regional direct labor hours) for estimating indirect costs allocable to a specific site. However, the Indirect Cost Manual did not specifically address the use of provisional indirect cost rates in the development of estimated project costs for removal actions. Therefore, On-Scene Coordinators continued to use the methodology contained in the January 1985 EPA Removal Cost Management Manual to project both indirect and direct costs for Superfund removal projects.

POLICY

To allow a uniform recording method, the application of the provisional rates contained in the Indirect Cost Manual should also be used in determining indirect rates for removal costs, rather than the method described in the January 1985 Removal Cost Management Manual, which is currently under revision, and will incorporate this new policy. Accordingly, we are establishing the following policy. For clarification purposes, it restates our existing policy concerning intramural and extramural direct costs, as well as provides the new policy for indirect cost projection.

Extramural Costs

- Project ceilings for CERCLA removal actions will include an estimated cost unit for anticipated direct extramural costs at the site. These direct costs include, but are not limited to, cleanup contractor costs (ERCS), subcontractors, letter contracts with State and local governments, order for services, notice to proceed contracts, alternative technology contracts, and interagency agreements (IAGs) with other Federal agencies. The "Extramural Cleanup Contractor" costs include a contingency factor that is determined by the OSC, normally 10-20%, as discussed in the Removal Cost Management Manual.

- Other extramural items can include the projected costs for the Technical Assistance Teams (TAT), Contract Laboratory Program (CLP) analytical costs, and the Environmental Response Team (ERT) contracts.
- After reviewing the projected total extramural costs, the OSC will utilize a 15% contingency factor, (again as discussed in the Removal Cost Management Manual). This 15% contingency allows for unforeseen or unanticipated contractor expenses -- which can include delays resulting from poor weather conditions, or equipment failure. Therefore, the total projected direct extramural costs should be increased by this 15% contingency factor. Attachment I, "Removal Project Ceiling Estimate" illustrates this guidance.

Intramural Costs

- The OSC will estimate the cost of EPA personnel, Regional as well as Headquarters, who will charge hours to the site.
- While the OSC can estimate the number of Regional hours planned for the site, it is difficult to project the number of Headquarters hours planned. Therefore, it has been determined that a percentage (10%) of the planned Regional hours be used to estimate Headquarters hours. For instance, if there are 300 Regional hours projected - there would be 30 hours (10% of 300) planned for Headquarters.
- Tracking of actual hours can be accomplished through FMS reports obtained through the Financial Management Office.
- Project ceilings for removal actions at Superfund sites will include an estimate for Agency indirect costs allocable to the site. Indirect costs will be estimated by multiplying the latest available provisional indirect cost rates by the estimated EPA intramural Regional direct labor hours. (Note that only Regional direct labor hours are used to calculate indirect costs -- not Headquarters). Attachment I illustrates this.

- Attachment II provides the latest provisional indirect cost rates for FY 1987. Any changes to these rates will be provided to the OSCs by the Regional Financial Management Officer (FMO). The FMO is also available to provide assistance to the OSC in the calculation of the indirect costs. In addition, the Financial Management Division will notify the Emergency Response Division (ERD), Office of Emergency and Remedial Response, when changes in the provisional rates occur, so that ERD can modify the software package currently being used by the OSCs.

EFFECTIVE DATE

This policy is effective for all current removal projects that have not had a Removal Action Memorandum approved as of the date of this policy and for all future site-specific removal activity.

SUNSET DATE

This policy will be incorporated in a forthcoming section of the Resources Management Directives System. When that section is issued in final, you will be notified that this policy announcement is superseded by that document. The next update of the EPA Removal Cost Management Manual will also be revised to reflect this policy.

INQUIRIES

If you have any questions concerning this announcement, please contact Liz Milstead, Fiscal Policies and Procedures Branch, on 382-4205. Questions regarding the EPA Removal Cost Management Manual should be addressed to Jean Wright, OERR, on 382-2342.

Attachments

cc:	J. Richard Bashar Alvin Pesachowitz John J. Sandy Tony Musick Carole Ansheles	FMD Branch Chiefs Tim Fields OHM Coordinators, Regions I-X TAT/ERCS DPO's, Regions I-X ERT
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S A M P L E

REMOVAL PROJECT CEILING ESTIMATE

EXTRAMURAL COSTS

Extramural Cleanup Contractor	\$862,500
(This cost category includes OSCs estimates for: ERCS, Mini-ERCS, subcontractors, Letter Contracts, Alternative Technology Contracts, IAGs with other Federal agencies, etc. Also includes 10-20% contingency)	
TAT Costs	\$50,000
CLP Analytical Costs	\$100,000
ERT Contract (EERU)	\$100,000
Subtotal, Extramural Direct Costs.....	\$1,112,500
15% Contingency of Above Costs	\$167,000
(round to nearest thousand)	
TOTAL, EXTRAMURAL COSTS	\$1,279,500

INTRAMURAL COSTS

Intramural Direct Costs	\$9,900
(\$30 X 330 Labor Hours (300 - Region/30 Hdqtrs))	
Intramural Indirect Costs	\$18,000
(See instructions below)	
TOTAL, INTRAMURAL COSTS	\$27,900

TOTAL REMOVAL PROJECT CEILING ESTIMATE	\$1,307,400
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Formula for Calculating Indirect Costs:

Region Specific Indirect Cost Rate	X	Estimated Regional Direct Labor Hours	=	Indirect Costs
\$60		300		\$18,000

PROVISIONAL' FY 1987 INDIRECT COST RATES

<u>Region</u>	<u>Organizations to Which the Rates Apply</u>	<u>FY 87 Provisional Rates</u>
I	Air, Water, Environmental Services, and Waste Management Division	\$60 per hour
II	Caribbean Field Office; Emergency and Response, Air and Waste Management, Water Management, and Environmental Services Divisions	
III	All Regional Organizations	\$68 per hour
IV	All Regional Organizations	\$52 per hour
V	Directors Office - Waste Management/ Emergency Response; Hazardous Waste Enforcement Branch, Great Lakes Coordinator; Central Regional Lab; Eastern and S&A Central District Offices; and Waste Management, Air, Water, and Environmental Services Divisions	\$54 per hour
VI	Houston Lab; and Air, Pesticides and Toxics, Water Management, Hazardous Waste Management, and Environmental Services Divisions	\$61 per hour
VII	Water Management, Air and Toxics, Environmental Services, and Waste Management Divisions	\$60 per hour
VIII	Air and Hazardous Material Branch; Montana Office; and Water, Air and Hazardous Material, and Environmental Services Divisions	\$65 per hour
IX	Toxics and Waste Management, Water Management, and Air Management Divisions	\$62 per hour
X	Alaska, Oregon, Idaho, and Washington Operations Offices; and Air and Toxics, Water, Hazardous Waste, and Environmental Services Divisions	\$63 per hour
		\$61 per hour